

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850



Division of Integrated Health Systems/Family and Children's Health Programs
Group/Center for Medicaid and State Operations

January 25, 2002

Mr. Douglas Porter
Assistant Secretary
State of Washington
Department of Social and Health Services
PO Box 45010
Olympia, WA 98504-5010

Dear Mr. Porter:

This letter serves as a follow-up to our telephone conversation of January 22 regarding the Washington section 1115 Medicaid and SCHIP demonstration proposal dated November 2, 2001. We are currently reviewing the proposal. To date, we have identified the following major issues. As we continue our review, other issues may be identified. However, we wanted to give you an opportunity to respond to our major concerns as we continue our review.

Specificity of Requested Changes

In general, you have requested broad authority to reduce benefits, increase cost sharing and impose enrollment caps on mandatory and optional populations. CMS would prefer a more defined approach. We request that you submit a detailed proposal outlining exactly what changes you would make to benefits and cost-sharing, and your timeframe for implementation. Please also specify the eligibility groups that would be subject to these changes. In the event that your proposal is approved, future changes would be requested in the form of waiver amendments.

Your proposal should also include a detailed description of your proposed enrollment caps, to whom they would apply, and how they would be imposed.

Additional Items for Consideration

You have requested flexibility in certain areas covered by the Health Insurance Flexibility and Accountability (HIFA) initiative, although your proposal is not formally a HIFA proposal. We encourage you to consider adding HIFA elements to your project design so that your proposal can be considered a HIFA proposal. Examples of these

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elements would be a link to employer-sponsored insurance (ESI), consistency with HIFA benefit and cost-sharing guidelines, and a commitment to a coverage expansion.

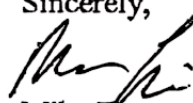
1. Would you consider adding an ESI component to your project design?
2. Your application mentions an expansion in 2003 but there are contingencies. We strongly prefer a firm commitment to implementing an expansion, particularly in light of your proposal to receive Federal Financial Participation (FFP) for some state-funded coverage.
3. Please provide more specific information on the state-funded slots that you propose to move to the demonstration.

Other Comments/Questions

1. The State has indicated that it does not want to be subject to budget neutrality ceiling for the Medicaid program. Given that the State does want to exercise demonstration flexibility on the Medicaid portion of its program, budget neutrality would be a requirement. The HIFA guidelines outline the Administration's general budget neutrality principles. We are willing to work with your staff to develop budget neutrality calculations consistent with the HIFA guidelines.
2. The State has not provided a budget for the proposed demonstration. Please provide financial information supporting the State's demonstration request. As you are proposing to use SCHIP funds, please complete the SCHIP waiver budget template and identify exactly what populations will be covered using SCHIP funds. Again, we are available to provide technical assistance and templates to develop budgets for any Medicaid and SCHIP funds you are allocating to the demonstration.
3. Please provide more detail on your public process, specifically how the feedback from stakeholders was incorporated into the application. For federally recognized tribal governments, please provide a written description of the tribes' concerns as well as any further issues that have arisen with the application.

Should you require further assistance, please do not hesitate to contact Juli Harkins, Project Officer, at (410) 786-1028.

Sincerely,



Mike Fiore

Director

Division of Integrated Health Systems